ESG and Accountability to Communities

Findings from work stream 3 of the
DFI Transparency Initiative

Thursday 11th February 2021

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1. Introduction

DFI Transparency Initiative

2 ½ year project looking at the use of public money by Development Finance Institutions (DFIs) to meet global development goals.

Our objective is to work collaboratively with DFIs and other stakeholders to increase the transparency of DFIs.

Our approach is evidenced-based and multi-stakeholder in two main phases; research and advocacy.

Notes:

Research does not include FI investments at this stage.

Anonymisation of results is purposeful and intended to highlight the opportunity for sector reform, rather than institutional reform.

Timeline

Project Advisory Board

- **Chair** - Robert Mosbacher, Jr. (Former President and Chief Executive Officer of OPIC)

- Andrea Ordóñez (Southern Voice)

- Aubrey Hruby (Insider / Africa Expert Network)

- Elizabeth Boggs Davidsen (SDG Impact)

- George Ingram (Brookings Institution)

- Karin Finkelston (IFC)

- Nancy Lee (Center for Global Development)

- Paddy Carter (CDC Group)

- Paul O'Brien (Oxfam America)

Work streams

1. Basic Project Information

2. Impact Management - Objectives, Theories of Change and Impacts

3. **Environmental, Social and Governance (ESG) and Accountability to Communities**

4. Value of Investment: Concessionality, Mobilisation and Structure of Deal

5. Financial Intermediaries, Offshore Financial Centres and Beneficial Ownership

2. Methodology

Expert Working Group

- Amy Jadesimi (Lagos Deep Offshore Logistics Base)
- Arna Hartman (former Panel Member of the Accountability Mechanisms of AfDB and AsDB)
- David Hunter (American University)
- Debbie Cousins (EBRD)
- Elena Espinoza (UNPRI)
- Fidanka Bacheva-McGrath (Bankwatch Network)
- Gonzalo Castro de le Mata (formerly Inspection Panel)
- Leornardo Mazzei (IDB Invest)
- Margaux Day (Accountability Counsel)
- Michaela Bergman (AIIB)
- Paul O'Brien (Oxfam America)
- Peter Woicke (formerly World Bank)
- Rayyan Hassan (NGO Forum on ADB)

Contextualising ESG and Accountability to Communities

Transparency of ESG risks and the plans to minimise or mitigate them.

We assessed the transparency of:

- Environmental and social (E&S) policies
- Disclosure practices
- Independent Accountability Mechanisms (IAMs)

Research questions:

1. How transparent are DFI policies regarding ESG safeguarding and accountability?
2. How and to what extent do DFIs disclose the E&S risks, management, and mitigation of their activities?
3. How and to what extent do DFIs disclose the presence, findings, and recommendations of independent accountability mechanisms?

Approach

This report was informed by:

- a CSO consultation to construct the framework for the landscape analysis before it was reviewed by the Expert Working Group

- interviews with DFI employees, CSOs , private sector stakeholders and other experts

- two meetings of the Expert Working Group to discuss the landscape analysis and draft report

We conducted the landscape analysis by surveying available materials on the selected DFI websites at policy and project levels.

Landscape analysis

ESG and Accountability to Communities

Global
- E&S disclosure policy
- E&S project-level disclosure (typically via website)

Community
- Community-level disclosure policies
- Assurance of community disclosure

IAMs
- Global IAM disclosure
- Project-level IAM disclosure
- Community-level IAM disclosure
- Assurance of community-level IAM disclosure

DFIs

Bilateral DFIs (non-sovereign)	Bilateral DFIs (non-sovereign and sovereign)	Multilateral DFIs (sovereign and non-sovereign)	Multilateral DFIs (exclusively or predominantly sovereign)	Multilateral DFIs (non-sovereign)
CDC Group (UK)	DBSA (South Africa)	African Development Bank (AfDB)	International Development Association (IDA) and the International Bank for Reconstruction and Development (IBRD)[6]	International Finance Corporation (IFC)
DEG (Germany)		Asian Development Bank (AsDB)	Inter-American Development Bank (IADB)	IDB Invest
DFC (USA)		Asian Infrastructure Investment Bank (AIIB)	Islamic Development Bank (IsDB)	Islamic Cooperation for the Development of the Private Sector (ICD)
FMO (Netherlands)		Development Bank of Latin America (CAF)		
Norfund (Norway)		European Bank for Reconstruction and Development (EBRD)		
Proparco (France)		European Investment Bank (EIB)		
Swedfund (Sweden)				

3. Findings

E&S global disclosure policies

Institution	E&S global disclosure: policy (organisational)							
	Does the DFI have a publicly disclosed transparency, access to information or disclosure policy?	Does the DFI clearly define and articulate the number of days between project disclosure and board approval for each risk category?	Does the DFI clearly define and articulate what E&S documentation will be disclosed for investments at each risk category?	Does the DFI disclose what E&S policies/ standards it applies (e.g., IFC performance standards or in-house policies) for its investments?	Does the DFI have a policy on the translation of project documents in to appropriate languages?	Does the DFI disclose an explanation of project risk categorisation?	Does the DFI disclose a list of investment exemptions?	Does the DFI disclose planned monitoring and evaluation of E&S management for its investments?
Bilaterals								
DFI-1	Yes	No	No	Yes	No	Yes	Yes	No
DFI-2	Yes	No	Yes	Yes	No	Yes	Yes	Partial
DFI-3	Yes	No	No	Yes	No	No	Yes	No
DFI-4	No	No	No	Yes	No	No	Yes	No
DFI-5	No	No	No	Yes	No	No	Yes	No
DFI-6	No	No	No	Yes	No	No	Yes	Partial
DFI-7	No	Yes	Yes	Yes	No	Yes	Yes	Partial
DFI-8	Yes	No	No	Yes	No	Yes	Yes	Yes
Multilaterals - Public								
DFI-9	Yes	No	Partial	Yes	Yes	Partial	No	Yes
DFI-10	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
DFI-11	Yes	Partial	Partial	Yes	Yes	Yes	Yes	Yes
DFI-12	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
DFI-13	Yes	No	Yes	Yes	No	Yes	Yes	No
DFI-14	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
DFI-15	Yes	No	No	No	No	No	Yes	No
DFI-16	No	No	No	No	No	No	Yes	No
DFI-17	Yes	Yes	No	Yes	Partial	Yes	Yes	Yes
Multilaterals - Private								
DFI-18	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
DFI-10	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
DFI-11	Yes	Partial	Partial	Yes	Yes	Yes	Yes	Yes
DFI-12	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
DFI-19	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
DFI-14	Yes	No	No	Yes	Yes	Yes	Yes	Yes
DFI-15	Yes	No	No	No	No	No	Yes	No
DFI-20	Yes	No	No	No	No	No	No	No
DFI-17	Yes	Yes	No	Yes	Partial	Yes	Yes	Yes

E&S community disclosure policies

Institution	E&S community disclosure: policy (organisational)				
	Does the DFI clearly define and articulate the number of days between project disclosure at community level and board approval for each risk category?	Does the DFI clearly define and articulate what E&S documentation will be disclosed to communities for investments at each risk category?	Does the DFI have a community disclosure policy?	Does the DFI have a community translation policy?	Does the DFI have a free, prior and informed consent policy?
Bilaterals					
DFI-1	No	No	Yes	Yes	Yes
DFI-2	No	No	Yes	Yes	Yes
DFI-3	No	No	Yes	Yes	Yes
DFI-4	No	No	No	No	No
DFI-5	No	No	Yes	Yes	Yes
DFI-6	No	No	Yes	Yes	Yes
DFI-7	No	No	Yes	Yes	Yes
DFI-8	No	No	Yes	No	Yes
Multilaterals - Public					
DFI-9	No	No	Yes	Yes	Yes
DFI-10	No	Yes	Partial	No	Yes
DFI-11	No	Partial	Yes	Yes	Yes
DFI-12	No	No	Partial	Yes	No
DFI-13	No	Yes	Yes	Yes	Yes
DFI-14	No	Yes	Yes	Yes	Yes
DFI-15	No	No	No	No	No
DFI-16	No	No	No	No	No
DFI-17	No	No	Yes	Yes	Yes
Multilaterals - Private					
DFI-18	No	No	Yes	Yes	Yes
DFI-10	No	Yes	Partial	No	Yes
DFI-11	No	Partial	Yes	Yes	Yes
DFI-12	No	No	Partial	Yes	No
DFI-19	No	No	Yes	Yes	Yes
DFI-14	No	Yes	Yes	Yes	Yes
DFI-15	No	No	No	No	No
DFI-20	No	No	No	No	No
DFI-17	No	No	Yes	Yes	Yes

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Global E&S disclosure of Cat A and Cat B projects

Category A projects

Category B or undisclosed category projects

Assurance of community E&S disclosure for Cat A and Cat B Projects

Category A projects

Category B or undisclosed category projects

IAMs global disclosure for Cat A and Cat B Projects

Category A projects

Category B or undisclosed category projects

Assurance of IAMs community disclosure for Cat A and Cat B projects

Category A projects

Category B or undisclosed category projects

4. What does the research tell us?

Overview – Global Level

We identified systematic disclosure from at least one DFI for every aspect of global disclosure – suggesting that global disclosure can be undertaken by all DFIs.

Most DFIs have transparent and fairly sophisticated policies that govern the application of ESG safeguards.

Global disclosure of ESG risks is mixed. Disclosure was higher for multilaterals than for bilaterals and generally more extensive for Category A projects than for Category B projects, but it was rarely systematic. We found instances of disclosure not taking place even with Category A projects which suggests that DFIs are not adhering to their own policies.

Global disclosure of the presence of IAMs was high - their presence was disclosed on all DFI websites and on most project pages.

Overview – Community Level

Our research identified a significant gap between global policy and local implementation.

There is limited assurance of community disclosure. In some cases, DFIs provided information on the date, place, and method of community disclosure but this was not normally done in a systematic manner.

DFIs do not directly communicate to affected communities that options for recourse such as IAMs are available to them, nor do they typically require their clients to disclose their existence to affected communities.

Being transparent with respect to ESG and accountability is in the interest of DFIs. Complaints related to information disclosure feature commonly in IAMs cases, indicating that numerous cases could have been avoided had requirements been fully met.

Assurance of community disclosure

For those few DFIs which do provide assurance of community disclosure, it is by no means systematic. Assurance was more common for high risk (Category A) projects than for medium/low risk (Category B) projects.

Because DFIs do not confirm that disclosure requirements of ESG and accountability measures have been met, we could not reasonably assess the extent of the gap between ESG policy requirements and their implementation.

Given the role and responsibility of DFIs, we believe they should publicly verify that community disclosure has taken place (i.e. provide evidence of when, where, and how community disclosure took place, and what documentation was disclosed).

5. Next steps

Next steps

We are concluding this work stream (work stream 3: ESG and Accountability to Communities) and open to feedback.

We are currently commencing work stream 4: Value of Investment: Mobilisation & Structure of Deal and work stream 5: Financial Intermediaries, Offshore Financial Centres & Beneficial Ownership.

Our transparency recommendations will be launched in September 2021.

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